2024

BUSINESS ADMINISTRATION — HONOURS

Paper : BBAA-504-DSE-1B

(Investment Analysis and Portfolio Management)

Full Marks : 80

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Section : A

1. Answer ***any five*** questions : 2×5

(a) What is YTM?

(b) Define Support and Resistance Level.

(c) The equity stock of Rax Limited is currently selling for ₹ 30 per share. The dividend expected next year is ₹ 2.00. The investor's required rate of return on this stock is 15 per cent. If the constant growth model applies to Rax Limited, what is the expected growth rate?

(d) What is meant by Technical Analysis?

(e) Define the term efficiency.

(f) How is the Net Asset Value(NAV) of a fund calculated?

(g) How do you define 'Yield curve'?

(h) Define 'Line Chart'.

2. Answer ***any five*** questions : 4×5

(a) A Company's share are selling at the market rate of ₹ 50.00. The Company is expected to pay a dividend of ₹ 4.00 after 1 year with a growth rate of 10%. Find out required rate of return of equity shareholders.

(b) Briefly discuss the different stages of Industry Life Cycle.

(c) A Mutual Fund has an NAV of ₹ 10.60 in the begining and ₹ 10.90 at the end of the period. Calculate the return of the mutual fund :

(i) When dividend of ₹ 1.50 distributed.

(ii) If there is a Capital gain, also distribute 0.50 paisa.

(d) The market value of a ₹ 100 par value bonds, carrying a coupon rate of 14% and maturing after 10 years is ₹ 70. What is the YTM on this bond?

(e) Distinguish between Bull Market and Bear Market.

(f) A ₹ 100 par value bond bearing a coupon rate of 12%, will mature after 5 years. What is the value of the bond, if discount rate is 15%?

(g) Define 'Default risk', 'Systematic risk' and 'Price risk'.

(h) Bring out the comparison between Technical Analysis and Fundamental Analysis.

Section : B

Answer ***any five*** questions.

3. (a) State the assumption of CAPM Model.

(b) Discuss the Limitation of Dividend Discount Model. 5+5

4. (a) What is Callable Bond?

(b) A bond which has a market price of ₹ 83 and a par value of ₹ 100. It has an interest rate of 13% and mature after 5 years. What rate of return would an investor receive if he buys this bond and holds it till maturity? 3+7

5. (a) Provide three forms of EMH.

(b) The risk and return of two projects is given below :

	A	Z
Expected Return	15%	20%
Risk	5%	7%

An investor plans to invest 70% of his funds in project A and 30% in Z. The Correlation Coefficient between the returns of the project is +1.00. Find risk and return of the portfolio A and Z. 3+7

6.

Portfolio	Expected Return (%)	Portfolio Risk (%)
A	22	14.0
B	32	12.0
C	21	6.0

The expected rate of return on the market portfolio is 17% with a standard deviation of 6%. The risk-free rate is 10%. Identify the efficient and inefficient portfolios, if any. 10

7. How will you determine optimum portfolio with the help of Markowitz Model? 10

8. The expected returns from two shares are given below. Which of the two shares are more risky?

Return from Share A	**Probability of Occurrence**	**Return from Share B**	**Probability of Occurrence**
20	0.10	12	0.30
10	0.40	11	0.30
15	0.50	13	0.40
	1.00		1.00

10

9. The closing price of the stock of Very Fine Ltd. at the stock exchange for 10 successive days was as follows :

Day	1	2	3	4	5	6	7	8	9	10
Closing Price (₹)	25	26	25	24	26	26	28	26	25	27

You are required to calculate a 7 day moving average of stock price of the Company and comment on its short-term trend. 10

10. Write short notes on (***any two***) : 5×2

(a) Classification of Mutual Fund Scheme by Objectives

(b) Liquidity Preference Theory

(c) Arbitrage Pricing Theory.
